

Banking and Financial Regulations: Lebanon 2015

New incentives to the banks and the economy to face the recession, promote good governance, control credit risks, and prepare the implementation of IFRS9.

Introduction:

The Banque du Liban (BDL) upheld its policy of financing the economy that it has been sustaining since 2011. In addition to the amounts allocated in the previous years to encourage banks to grant loans to the private sector in light of the general decrease of loans, the BDL made available to banks in 2015 an additional amount of 1,500 billion Lebanese pounds (LBP) to be used by the end of November 2016 for granting new loans for environmental friendly projects, housing loans to security agencies that did not previously benefit from such loans, as well as for financing the housing loans granted by the Housing Bank and the loans generally granted by banks.

This is in addition to the ability given to banks from before 2011 to use part of their Required Reserves with the BDL to grant loans to be allocated in 2016 to housing loans to the mentioned security agencies and the Public Corporation for Housing. BDL also increased the Required Reserves' reduction rates for some other types of loans granted for financing environmental friendly projects.

In addition to the above, the BDL's incentives policy took new forms in 2015 by simplifying the conditions to avail from the State's subsidy to the debit interests granted to the productive sectors (manufacture, tourism, agriculture). In this respect, it is to be noted that the total subsidized loans granted by banks reached by the end of September 2015 around 6,4 billion US dollars divided on around 17,500 loans. The new policy also enabled banks to restructure their debts that are not classified as "standard" or "for follow-up" with the agreement of the Banking Control Commission (BCC), allowing the concerned clients to benefit from new loans to revive their economic activity.

As for the BDL's incentive policy initiated in 2013 concerning the encouragement of banks to participate in Knowledge Economy companies, it took in 2015 increased importance aiming at "transforming Lebanon into an international hub for Startups" through the BDL's organization of international conferences allowing Lebanese Startups to expand their knowledge about the experience

and expertise of the industry's international pioneers, investors, and sponsors and to participate in workshops on these companies, their activities and their place in the modern economy.

The first conference organized by the BDL in November 2014 under the title "BDL Accelerate 2014" was a huge success in terms of the quality of its agenda and participants. One of its consequences was the participation of a number of the Lebanese Startups in the training program organized by the BDL in the autumn of 2015, under a British initiative and sponsored by the "United Kingdom Lebanese Technology Hub (UKLTH)" that is chaired by the former Minister of Telecoms, Mr. Nicolas Sehnaoui. This program allowed the personnel of 10 of these startups to pursue a six-month training in London. Given the success of the mentioned first conference, the BDL organized a new one on 10 and 11 December 2015 under the title "BDL Accelerate 2015" on the issue of the "Emerging Startups Ecosystems". One of this second conference's major announcements was the creation in 2016 of an electronic stock exchange under the supervision of the Capital Markets Authority (CMA) whose main objective is to provide financing opportunities to startups and SMEs. Another announcement was about the creation of a new institution under a French – Lebanese initiative like the UKLTH. Seminars, training workshops, as well as a wide exhibition space were also organized in the conference. It is to be noted in this respect that the Governor of the BDL had announced in October 2015 that the total capitals invested in the Lebanese startups since 2013 had reached by the end of September 2015 nearly 250 million US Dollars, including the investments made by the Lebanese equity funds created for this purpose.

On the other hand, the circulars issued by the BDL and mentioned in the below references are the basic circulars issued by the BDL as amended by the intermediate circulars up to 31/12/2015, which can be found on the BDL's website. All of the mentioned circulars are addressed to banks. However, some of them are also addressed at the same time to financial institutions and / or to other financial sector institutions, other stakeholders and their auditors, as the case may be. Also some of these references include in many cases reference to circulars or implementation memorandum for BDL's circulars issued by the Banking Control Commission (BCC).

We indicate hereinafter the most important issues related to the banking and financial regulations that underwent developments during 2015:

- I. **BDL’s incentives to banks and the economy in 2015**
- II. **Good governance for banks**
- III. **Capital**
- IV. **Credit risks**
- V. **Information technology and security of the IT, electronic banking and financial operations**
- VI. **Other instructions issued by the BDL, the BCC, and the Ministry of Finance**
 - 1- Other instructions issued by the BDL;
 - 2- Other instructions issued by the BCC;
 - 3- Other instructions issued by the Ministry of Finance.
- VII. **Instructions issued by the CMA**

We indicate hereinafter the most important issues related to the banking and financial regulations that underwent developments during 2015:

I. **Developments related to the BDL’s incentives to banks and the economy**

The developments concerned the following issues:

- A. Direct financing by the BDL;
- B. Financing through the banks’ recourse to their Required Reserves at the BDL;
- C. Participation of banks in the Knowledge Economy companies;
- D. Simplifying the conditions to avail from the State’s subsidy to the debit interests on the loans granted to the productive sectors;
- E. Restructuring the debts that are not classified as “standard” or “for follow-up”.

A. **Direct financing by the BDL**

In 2013 and 2014, the BDL made available to banks and financial institutions (including the Islamic banks) the amount of 3610 billion LBP at a 1% annual interest in order to grant their customers facilities for the purposes determined by the BDL as per specific rates of the granted loans according to their types and sectors. In 2015, the BDL added the amount of 1500 billion LBP to the above amount for the purpose of financing the banks’ loans in the previous and new purposes granted before 15/11/2016.

1- The new financing

In 2015, the BDL made the new financing available to the banks and concerned institutions in exchange of their granting of facilities to their customers for new purposes according to specific percentages and raised the percentage of benefitting from this financing in exchange of granting loans for the purposes specified in the previous years, as shown in the following table:

Types of loans granted to the customers that can benefit from the BDL's subsidy as per specific terms and conditions:	Percentage of BDL's financing	Percentage of the banks' applicable interest and commission
<ul style="list-style-type: none"> • <u>For the previous types of loans:</u> The loans granted in Lebanese Pounds to finance the environmental component of environmental friendly projects other than in the field of energy, and which do not avail from the State's subsidy to the debit interests, provided that the value of one loan does not exceed the amount of 30 billion LBP. 	150% (instead of previously 100%)	3.75% minus 50% return on Lebanese Treasury bills for 1 year.
<ul style="list-style-type: none"> • <u>For the new beneficiary loans:</u> 1- The housing loans (LBP) pursuant to the Cooperation Protocol signed between the banks and the General Directorate of the State Security 	100%	2.128%
<ul style="list-style-type: none"> 2- The housing loans (LBP) pursuant to the Cooperation Protocol signed between the banks and the Customs Police 	100%	2.128%
<ul style="list-style-type: none"> 3- The loans (LBP) for supporting villages and rural regions to finance environmental friendly projects in the field of energy and renewable energy 	150%	3.75% minus 50% return on Lebanese Treasury bills for 1 year.

that do not avail from the State's subsidy to debit interests and which each of them exceeds the amount of 30 million LBP.		
4- The loans (LBP) for supporting villages and rural regions to finance environmental friendly projects in the field of energy and renewable energy that do not avail from the State's subsidy to debit interests and which each of them does not exceed the amount of 30 million LBP.	150%	3.75% minus 50% return on Lebanese Treasury bills for 1 year.

The BDL allocated the amount of 900 billion LBP out of the new amount (1,500 billion LBP) to finance all of the banks in exchange of the housing loans that they give. The BDL may also make credits available to the Housing Bank within the limits of the mentioned amount in exchange of the housing loans granted by the Housing Bank as per the specified rules and procedures within a period expiring on 15/11/2016.

2- Other developments

1. The applications to benefit from the BDL's direct subsidy of the new loans granted for the above-mentioned purposes and sectors as well as those granted for the previous purposes, must be submitted individually or in group according to their types and purposes from 01/02/2016 until 15/11/2016, as provided in both cases. The required documents must be appended.
2. The new aforementioned types of loans are added to the table of "symbols of loans' types" (CTC01) annexed to the status of the BDL's Central Office of Credit Risk (COCR).
3. The BDL decided to levy for just one time a commission in Lebanese pounds on all environmental friendly loans granted by banks starting 14/01/2013, at the rate of 0.4% of the value of such loans.

4. The BDL required from the banks to quarterly provide its “Financing Unit” with a list of the names of all the beneficiaries of the environmental friendly loans within the period indicated including the amounts of such loans as per the below:
 - a. Environmental friendly loans of a maximum value of LBP 30 million or its counter value per loan.
 - b. Loans for the purchase of solar energy water heaters.
 - c. Loans for the financing of the solar energy systems in rural regions at the cost price in cooperation with the UNDP.
 - d. Loans in Lebanese pounds for the financing of the environmental component of environmental friendly projects in the field of energy under the guarantee of “Kafalat SAL”
5. Banks are required to repay to the BDL the principal of the above credits in monthly settlements as from 02/01/2017. The payments due in 2016 for the concerned credits must be paid in one payment on 02/02/2016. The amount of the payments must be determined in accordance with the schedules of repayments under the forms (IN-A-CF) (for individually approved loans) and the form (IN-B-CF) (for collectively approved loans).
6. As for the loans and credits related to the incentives given by the BDL, the Banking Control Commission requested to be provided, upon the application for the prepayment or the transfer to other banks, with the documents required under the terms established concurrently with the submission of the application to the BDL.

Ref.:

- BDL’s circular No. 23 (07/03/1996) (Financial Facilities from BDL to Banks and Financial Institutions).
- BDL’s circular No. 75 (26/10/2000) (The Status of the Central Office of Credit Risk).
- BCC’s memo No. 8/2015 dated 22/04/2015 (Documents required to be sent to the BCC and related to the loans subsidized by the BDL).

B. Financing through the banks' recourse to their Required Reserves at the BDL

B.1- New loans

In addition to the banks' ability to use their Required Reserves at the BDL for granting credits for the purposes specified in the previous years, in 2015, the BDL encouraged the banks to grant new housing facilities in exchange of using this source of financing or extending the deadline for repayment of the non-housing loans, as indicated in the following table in accordance with the established terms and conditions:

	Percentage of the deductions from the Required Reserves
1. Housing loans (LBP) pursuant to the Protocol signed with the Public Corporation for Housing	100%
2- Housing loans (LBP) pursuant to the Cooperation Protocol signed with the General Directorate of the State Security	100%
3- Housing loans (LBP) pursuant to the Cooperation Protocol signed with the Customs Police	100%
4- Non-housing loans that do not benefit from the State's subsidy to the debit interests granted between 01/01/2009 and 31/12/2016, and which period for repayment of the principal of the non-housing loan does not exceed 15 years (instead of 10 years) as from the expiry of the grace period that should be between 6 months and 4 years as from the date of the loan.	60% (without amendment)

The above developments have led to changing the forms of the relevant statements addressed to the COCR.

B.2- Raising the deductions percentages for the loans whose purpose is to finance the environmental component of the environmental friendly projects

Banks can benefit from reduced Required Reserves at percentages higher than those previously granted for credits whose purpose is the financing of the environmental component of environmental friendly projects as follows:

- a- 150% instead of 100% of the Required Reserves for loans in LBP to finance the environmental component of environmental friendly projects other than in the field of energy (classified or not) which do not benefit from the State's subsidy to the debit interests within the ceiling of the annual interests and commission fixed by the BDL.
- b- 500% instead of 200% of the forward commitments subject to part of the Required Reserves, which amounts are reduced within the ceiling of 90% of the value of the global Required Reserves, for loans in foreign currency that do not benefit from the State's subsidy to the debit interests and that are granted for financing the environmental component of environmental friendly projects in other fields than in the field of energy (classified or not) within the ceiling of the annual interests and commissions fixed by the BDL and which are annually calculated as from the date of the implementation of the debt.

B.3- Technical compliance of the environmental component

Regarding the environmental component of the environmental friendly projects, the BDL will request a technical experts' report to ensure compliance with the environmental requirements.

B.4- BDL's commission for the environmental friendly loans:

The BDL levies for one time a 0.40% commission in Lebanese Pounds on all environmental friendly loans granted by banks starting 01/10/2010 and financed by the banks through their Required Reserves at the BDL.

The BDL requests the banks to provide its "Financing Unit" with quarterly lists of the beneficiaries of some types of these loans.

B.5- Basis for the calculation of the deductions from the Required Reserves and the forward commitments for part of the Required Reserves

The amount of the above-mentioned deductions from the Required Reserves and forward commitments is determined on the basis of the balances of loans without the calculated interests that are declared to the COCR based on the balances of the repayment lists, whichever is lower.

B.6- Instructions of the Banking Control Commission (BCC)

The BCC requested from the banks to provide it in respect of the loans and credits related to the deductions from the Required Reserves, upon submitting an application to the BDL requesting its authorization to prepay such loans and credits or to transfer them to other banks, with the documents required under the terms duly established in the same application submitted to the BDL indicating, in the case of prepayment, the reasons and sources of prepayment.

Ref.:

- BDL's circular No. 84 (02/06/2001) (Required Reserves)
- BCC's memo No. 8/2015 dated 22/04/2015 (Documents to be sent to the BCC and related to the loans that benefit from the deductions from the Required Reserves)

C. Participation of banks in the Knowledge Economy companies

1. In order to follow the banks' investments in Startups, "incubators", "accelerators", and Venture Capital companies, the BCC requested from the banks to provide it every six months, with information on their participations in the mentioned companies in accordance with the form determined by the BCC (SH5).
2. The BDL prohibits "incubators" and "accelerators" from participating or investing in Startups as remuneration for the support that they provide to these Startups, by more than 5% of their capital. The managers of these companies are also prohibited from directly or indirectly participating or investing in the mentioned Startups.
3. Upon the assignment by a bank of its participation in companies, which object is limited to the participation in Startups (Venture Capital) or upon the assignment by the "incubators" or

“accelerators” of their accepted participations in Startups, the banks must pay the profits and the amounts due to the BDL after deduction of the administrative fees and costs.

4. The BCC requests from the banks benefitting from the BDL’s incentives, upon submitting an application requesting the BDL’s authorization to prepay the loans and credits relating to such incentives or transfer them to other banks, to provide it with the required documents in accordance with the determined procedure.

Ref.:

- BCC’s memo No. 8/2015 dated 22/04/2015 (Documents to be sent to the BCC).
- BDL’s circular No. 23 dated 07/03/1996 (Financial Facilities from BDL to Banks and Financial Institutions).
- BCC’s memo No. 17/2015 dated 03/07/2015 (Information on the banks’ direct participations in the Knowledge Economy companies).

D. Simplifying the conditions to avail from the State’s subsidy to the debit interests on the loans granted to the productive sectors (industry, agriculture, tourism)

1. Extension of the repayment period of the subsidized loans to 12 years instead of the previous 5 to 7 years, provided that no more than 15% of their principal is due within the first two years and the estimated cost of subsidy for the initial loan term remains unchanged.

Ref.:

- BDL’s circular No. 80 dated 02/01/2001 (Subsidy of interest on loans extended to the productive sectors)
2. The BCC requests from the banks, upon submitting an application requesting the BDL’s authorization to terminate the subsidy or for the prepayment of the subsidized loans or their transfer to other banks, to provide it with the required documents in accordance with the determined procedure.

Ref.:

- BCC's memo No. 8/2015 dated 22/04/2015 (Documents to be sent to the BCC and related to the subsidized loans).

E. Restructuring of loans not classified as “standard” or “for follow-up”

The BDL encourages banks, financial institutions, groups of banks and the financial institutions with common debtor clients to restructure the debts granted to their debtor clients, classified as “for follow-up and settlement” or “substandard” or “doubtful” according to the supervisory classification of credit risks that can be restructured. The restructured debts will be reclassified as “for follow-up and settlement” and the freed unused provisions will be allocated to constitute “Reserves for increasing the capital”.

Likewise, the debtor may be relieved of part of its debt or granted new loans by the bank to boost its economic activity with the agreement of the stakeholders and the banking groups represented by a “director” delegated by them, after the approval of the BCC in accordance with the terms and the procedure set by the BDL. The restructured debts shall be recognized in off-balance accounts.

In this context, the BDL authorized the creditor banks to deduct 50% of the bonds representing their restructured loan in accordance with the approved conditions, procedure, and the provisions of Article 162 of the Code of Money and Credit (CMC), and to make any change in the restructuring of the loans, further to the approval of the BDL upon the proposition of the BCC.

Ref.:

BDL's circular No. 135 dated 26/10/2015 (Debt restructuring).F- The BCC requests from the banks, upon submitting an application requesting the BDL's authorization to terminate the subsidy or for the prepayment of the subsidized loans or their transfer to other banks, to provide it with the required documents in accordance with the determined procedure.

Ref.:

- BCC's memo No. 8/2015 dated 22/04/2015 (Documents to be sent to the BCC and related to the subsidized loans).

II. Good governance for banks

The main developments in the good governance for banks for 2015 relate to the following:

1. Norms for carrying out banking and financial operations with customers.
2. List of the rights and obligations of customers.
3. Assets taken in lieu of a debt payment in accordance with Article 154 of the CMC and the “reserves for real-estates to be liquidated”.
4. Quantitative test on the Liquidity Coverage Ratio (LCR) to 30/09/2015.
5. BDL’s training programs on the good governance for the chairpersons and members of banks’ boards of directors and their specialized committees.
6. Fighting Money Laundering and Terrorist Financing (UNSC decisions).

1. Norms for carrying out banking and financial operations with customers

For the purpose of promoting sound relationships between the banks and the other concerned entities of the financial sector and their clients, and in line with their previous guidance, the BDL and the BCC through their instructions for 2015, aim to push the financial sector to “work on raising the awareness of the customers, educating them, and clarifying their rights by disseminating awareness and education programs” by all available means of communication.

For this purpose, the BDL requested from the banks and the other concerned entities to draw up a list of the rights and obligations of customers, in accordance with its instructions, and to ensure their receipt and understanding by the customers prior to their signature, within the deadlines allowed by the BCC.

The BDL also requested from the institutions of the sector to draw up a policy for the “norms for carrying out banking and financial operations with customers” that ensures the realization of the BDL’s objectives. For this purpose, the BDL required the constitution of an independent unit within these entities. It specified the measures to be taken in this regard and requested the establishment of procedures to streamline customer requests and ensure their resolution. It also required from these institutions to submit to the BCC quarterly statistical information on the contents of these requests and complaints in accordance with the form CP1. Pursuant to the above, the BCC issued a circular detailing the conditions that the said independent Unit must satisfy, in terms of its charter, functions, procedures,

personnel, and its control of the compliance with the relevant instructions of the BDL and the BCC or in terms of the relation between the Unit and the Compliance Unit and the Internal Audit Unit.

In this context, the BCC also clarified the procedures to be adopted within the framework of the customers' awareness and education programs, relating to the specificities and conditions of the offered banking services and financial products (Key Facts Statements), including the extent of their suitability to the customers' profiles and needs. It is to be noted also that if the customer insists on the mentioned unsuitability, then he should duly document his decision.

On another hand, banks are required to declare to the BCC on a quarterly basis the requests and complaints of their customers in accordance with the statistical form No. CP1.

It should also be noted here that the Association of Banks in Lebanon (ABL) prepared and issued to the banks on 11/09/2015 a draft guide on the "Norms for carrying out Banking and Financial Operations and Customers' protection" for opinion in preparation for its formal adoption.

Ref.:

- BDL's circular No. 134 dated 12/02/2015 (Norms for carrying out banking and financial operations with customers)
- BDL's circular No. 81 dated 21/02/2001 (Operations relating to credit, investment, shareholding and participation).
- BCC's circular No. 280 dated 02/01/2015 (Credits to individuals and their classifications).
- BCC's circular No. 281 dated 05/03/2015 (Norms for carrying out banking and financial operations with customers).
- BCC's memo No. 25/2015 dated 28/12/2015 (Statement on the statistics on the customers' requests and complaints).
- BCC's letter to the ABL dated 27/07/2015 (Clarifications on the Norms for carrying out Banking and Financial Operations with customers, object of BCC's circular No. 281).
- Business Ethics and Customer Protection Generic Policies and Procedures Manual issued by the ABL on 11/09/2015.

2. List of rights and obligations of customers

Pursuant to the BDL's instructions regarding the List of Rights and Obligations of Customers to be signed by the latter, the BCC issued a memorandum extending the deadline for obtaining the customers' signatures on the above-mentioned "List of Rights and Obligations" till 30/06/2016. However, banks are required to declare to the BCC the percentage of customers who signed such List on 31/12/2015 and 31/12/2016.

Ref.:

- BCC's memo No. 24/2015 dated 22/11/2015 (Extension of the deadline for obtaining of the customers' signatures on the List).

3. Assets taken in lieu of a debt payment in accordance with Article 154 of the CMC and the "reserves for properties to be liquidated"

The BCC reminds the banks of the obligation to do everything possible to liquidate the assets temporarily taken in lieu of debt payment, and confirms in this respect the measures to be taken in order to accelerate the liquidation of such assets within the period of 2 years under Article 154 CMC and the constitution of the due reserves (not included in the capital) for the non-liquidated properties within the specified deadline at the percentage of 20% annually for five years (except for the properties related to the rescheduled debts as on 30/06/2003) and those related to the customers that suffered from the war of July 2006 and which required reserves may be constituted at the percentage of 5% annually in accordance with the instructions of the BDL (BDL's circular No. 73).

Pursuant to the above, the BCC explained the method to fill the form of the annual statement (B14) related to the above. The BCC also indicated the need to be notified in writing of the status of the properties taken in lieu of debts payment as per the specified cases.

Ref.:

- BDL's circular No. 78 dated 21/12/2000 (Liquidation of properties taken pursuant to Article No. 154 CMC).

- BCC's memo No. 4/2008 dated 14/01/2008 (Constitution of the reserve for properties in liquidation).
- BCC's memo No. 10/2008 dated 02/04/2008 (Reserves for the properties taken in lieu of debt payment).
- BCC's circular No. 267 dated 17/12/2011 (The procedure for taking properties in accordance with Article 154 CMC).
- BCC's memo No. 12/2015 dated 22/05/2015 (Liquidation of properties taken in accordance with Article 154 CMC).

4. Quantitative test on the Liquidity Coverage Ratio (LCR) to 30/09/2015

In anticipation of the implementation of Basel 3 on the Liquidity Coverage Ratio (LCR), the BCC required from the banks (excluding Islamic banks) to provide it with the requested information to calculate the LCR based on the financial situation of the branches of the banks in Lebanon as on 30/09/2015.

Ref.:

- BCC's memo No. 22/2015 dated 16/10/2015 (Quantitative test for calculating the LCR).

5. BDL's training programs on the good governance for the chairpersons and members of banks' boards of directors and their specialized committees

BDL invited the chairpersons and members of the boards of directors (BOD) of the banks and the chairpersons and members of their specialized committees to attend the programs of good governance specially set for each of them to be scheduled in coordination with the concerned banks.

Ref.:

- BDL's circular No. 118 dated 21/07/2008 (Boards of Directors and Boards Committees in Lebanese Banks).

6. Lists published by the United Nations Security Council (UNSC) and the Sanctions Committees

On 22/12/2015, the BDL sent to banks and other institutions subject to the authorization or the control of the BDL a special circular requesting from them to continuously check for any update on the website of the UNSC, on the lists of the names of persons involved in money laundering and terrorist financing issued by the Sanctions Committees in accordance with the decisions. In case of existence of a business relationship with one of the said people, banks are required to immediately take the measures to block the funds, accounts, transactions or other assets of such people with the relevant banks and to advise the Special Investigation Committee (SIC) at the BDL of the issue and of the available information in this respect. In case of similarity between the name of any of its customers and one of the names or specific details contained in the said lists, these banks and institutions are required to notify the SIC, under penalty of legal sanctions in case of violation. The BDL indicated that the above also applies to the branches, subsidiaries, or sister institutions abroad.

Ref.:

- BDL's circular No. 136 dated 22/12/2015 (UNSC decisions).
- Law No. 44 dated 24/11/2015 (Law on Fighting Money Laundering and Terrorist Financing).

III. Capital

Regulatory developments related to the Capital in 2015 focused on the following issues:

1. Reserves for unspecified banking risks;
2. Allocation of the provisions that became available and that are not reused on the restructured debt;
3. Internal Capital Adequacy Assessment Process (ICAAP).

1. Reserves for unspecified banking risks

The BCC explains to the banks and their auditors that the deadline for constituting the cumulative ceiling of reserves for unspecified banking risks set at 2% of the weighted assets required for the calculation of the Capital adequacy ratios corresponds to the end of the fiscal year 2017.

Ref.:

- BDL's circular No. 50 dated 15/10/1998 (Constitution of reserves for unspecified banking risks)
- BCC's memo No. 8/2009 dated 1/6/2009 (Constitution of reserves for unspecified banking risks)
- BCC's memo No. 13/2015 dated 28/05/2015 (Constitution of reserves for unspecified banking risks)

2. Allocation of the provisions that became available and that are not reused on the restructured debt

The BDL asks the banks that restructure the debts classified as “doubtful” (see Section I above) and that can be restructured to allocate the provisions that became available and that are not reused to constitute provisions for other doubtful debts in order to constitute the “Reserves for unexpected banking risks”.

Ref.:

- BDL's circular No. 135 dated 26/10/2015 (Debt Restructuring).

3. Internal Capital Adequacy Assessment Process (ICAAP)

The BCC issued two forms for declaring the results of the continual internal capital adequacy assessment by banks on a consolidated basis and for each foreign subsidiary, noting that the ICAAP relies on two approaches: The first relies on the regulatory capital requirements (Form A) to be complied with by all banks concerns. The second relies on the bank's own estimation of its capital requirements and available capitals (Internal Approaches) (Form B) and is to be complied with only by the banks that have branches abroad; this second form must also reproduce the comparative results between the two approaches. As of 31/12/2015, banks must annually report to the BCC the results of these assessments.

Ref.:

- BDL's circular No. 44 dated 25/03/1998 (Regulatory framework for the assessment of bank capital adequacy for banks in Lebanon).
- BDL's circular No. 119 dated 21/7/2008 (Assessment of bank capital adequacy).

- BCC's circular No. 283 dated 06/10/2015 (Special Report on the Internal Capital Adequacy Assessment Process) (ICAAP).

IV. Credit Risks

Regulatory developments related to credit risks in 2015 focused on the following issues:

- 1- Definition of some of the main credit portfolios
- 2- Prevention of certain types of loans risks
- 3- Status of the Central Office of Credit Risk (COCR)
- 4- Classification of loans as per their risks and sectors
- 5- Classification of loans risks reviewed by the BCC

1. Definition of some of the main credit portfolios

The BDL made the following clarifications in respect of the elements of the portfolio of retail loans, SMEs loans, and corporate loans. These three categories are part of the six major loans portfolios mentioned in Basel II on the capital adequacy. They are defined as follows:

1. Retail Portfolio, which includes all types of consumer loans and revolving credits.
2. Small and Medium Entities Portfolio, which includes loans to members of liberal professions, sole proprietorships or corporations (general partnerships, simple limited partnerships, jointly-owned companies, joint-stock companies including holdings and offshore companies, limited partnerships by shares, limited liability companies) whose annual turnover does not exceed the equivalent of USD 10 million or whose total assets do not exceed USD 10 million or whose number of staff does not exceed 60 employees. It also includes loans to individuals whose purpose is the financing of their private investments and the repayment of which comes from the income of the companies that they own, and which fulfill one of the conditions relating to their annual turnover, total assets, and number of staff referred to above.

3. Corporate Portfolio, which includes loans to sole proprietorships or to the above mentioned companies that do not fulfill any of the conditions that apply to the mentioned SMEs, as well as the loans to insurance companies, regardless of the volume of their turnover. It also includes loans to individuals for the purpose of financing their private investments and which repayment comes from the revenues of the companies that they own, and which do not fulfill any of the conditions specified in the portfolio of SMEs' loans in respect of their annual turnover, total assets, and number of staff.

In parallel, the above changes were made to the Status of the Central Office of Credit Risk (COCR) at the BDL in respect of the loans portfolio for SMEs and corporations.

Ref.:

- BDL's circular No. 115 dated 14/12/2007 (Distribution of main credit portfolios).
- BDL's circular No. 75 dated 26/10/2000 (The Status of the Central Office of Credit Risk).

2. Prevention of certain types of credits and loans risks

The BDL's new instructions introduced additional provisions for the prevention of the credits risks as below:

- a- Retail loans
- b- Collective provisions and general reserves for interest bearing loans (other than the retail loans)
- c- Margins for credits guaranteed by securities and for SPOT and Forward operations

- a- Risks of the retail loans

For the purpose of raising the awareness of the concerned clients and protecting them from the risks of retail loans, the BDL has been granting since 2010 an increasing attention to these loans. The new instructions explain in details the requirements that the banks and the other concerned institutions of the financial sector should comply with for announcing such loans to the public, for drafting the content of

the contracts to be concluded with the clients, and for the statements of accounts to be addressed to such clients, in order to ensure compliance by these entities with the principle of transparency in their relations with the clients as well as with the principles and conditions of lending.

The BDL fixed the housing and car loans limits at 75% of the price of the house or the car, except for the housing loans granted by the Housing Bank, those granted under the Home Savings Plan, as well as those granted under the protocols signed with the specific official authorities (the Public Corporation for Housing, the Ministry of Displaced, the Cooperative Fund of Judges) and with the security authorities that have already benefitted from the loans. In 2015, the General Directorate of the State Security and the Customs Police were added to these authorities.

In this context, the BDL specifies that the cost of insurance policies required for housing loans can be paid annually in one payment or on many installments during the year. As for the loans granted for the purchase of cars, the cost of the said insurance policies can be paid on many installments during the year unless the client asked to settle it in one payment. The banks may, as of January 1, 2015, and at their own responsibility, compute the value of the number plate of a taxi car or taxi van within the vehicle value.

Moreover, the BDL reminded banks of the obligation to comply with the principles of good governance for the banking and financial operations with customers and to create an internal “Special Unit” for ensuring their proper implementation, including in respect of the retail loans.

For its part, in addition to its implementation circular issued in 2012, which includes practical examples for computing the costs of certain types of retail loans, the BCC published in 2015 a new implementation circular, setting the ceilings for some kinds of retail loans and housing loans (other than those excluded from the above-mentioned limit of 75%) that can be granted (housing loan against the price of the house and car loans) (Loan to Value). The BCC also fixed the amount of the monthly repayment of the said loans based on the debtor’s income (Debt Servicing to Income). The BCC also established a mechanism for the retail loans classification, the constitution of collective provisions and the general reserves for interest-bearing loans, as well as the provisioning and the specific reserves for

those that have delayed payments. Banks are required to duly submit to the BCC the required information on these loans.

Ref.:

- BDL's circular No. 81 dated 21/02/2001 (Operations relating to credit, investment, shareholding and participation).
- BDL's circular No. 124 dated 17/05/2010 (Credit Transparency, Rules and Conditions (retail loans)).
- BDL's circular No. 134 dated 12/02/2015 (Norms for carrying out Banking and Financial Operations with Clients).
- BCC's circular No. 273 dated 10/11/2012 (Implementation circ. to BDL's circ. No. 124).
- BCC's circular No. 280 dated 02/01/2015 (Regulations for granting retail loans, their classification and the constitution of their relevant provisions and reserves).
- BCC's circular No. 281 dated 05/03/2015 (Implementation circ. to BDL's circ. No. 134).
- BCC's letter to the ABL dated 27/07/2015 (Clarifications on the Norms for carrying out Banking and Financial Operations with Clients (BCC's circular No. 281)).
- BCC's memo. No. 11/2015 dated 19/05/2015 (Regarding BCC's Circ. No. 280)

b- Collective provisions and general reserves for interest bearing loans

In addition to the collective provisions that should be constituted for the interest bearing loans and credits on the basis of the Impairment Tests to be carried out at least once a year in accordance with the requirements of the International Financial Reporting Standards (IFRS), the BCC required from the banks in 2015 to constitute a general reserve on an annual basis, provided that the balance of such reserve does not fall below 0.25% of the value of the portfolio in 2014, 0.5% in 2015, 1% in 2016, and 1.5% in 2017 pursuant to the procedure and the terms defined in the BCC's circular. Moreover, the banks are required to annually declare these reserves to the BCC.

Ref.:

- BDL's circular No. 58 dated 10/11/1998 (Credit Risks Classification).
- BCC's circular No. 280 dated 02/01/2015 (Constitution of the collective provisions and general reserves for the interest bearing loans).
- BCC's memo. No. 14/2009 dated 16/10/2009.
- BCC's memo. No. 15/2013 dated 12/12/2013.
- BCC's memo. No. 11/2015 dated 19/05/2015 (Related to the BCC's Circ. No. 280).

c- Declaring to the BCC the negative net values and the deficit in the clients' portfolios margins

The BCC ensures the compliance of banks with the obligation to maintain sufficient guarantees for the credits granted to clients against securities, such as the required initial margins and the maintenance margins are not below the required rates. The BCC also ensures compliance with the initial margins, and the secondary margins in respect of the Spot and Forward transactions for the clients, such as the deficit of the initial margin does not exceed (20%) in these operations 8% of the Capital. For this purpose, the BCC requests from the banks to provide it with a monthly statement as per the form INB and to take the appropriate measures to immediately liquidate the deficit in the margins and positions, if any, to notify it in writing, and provide it with information on the situation of the concerned clients. The banks should also declare the deficit in the margins resulting from the Spot and Forward transactions in the prescribed parts of the form on the financial status of banks (Form 2010).

Ref.:

- CMA's Decision No. 12 dated 10/02/2014 (Regulations on derivatives transactions).
- BDL's circular No. 51 dated 22/10/1998 (Credits Granted against Pledged Securities).
- BCC's circular No. 48 dated 12/08/1998 (Ceiling on Banks' Credit Facilities).
- BCC's memo. No. 6/2015 dated 28/02/2015 (Negative Net Margins and Deficit in clients' Portfolios Margins).

3. Status of the Central Office of Credit Risk (COCR)

The main changes that were introduced in 2015 to the status of the COCR are the following:

- a. Reducing the total credits granted to each debtor to be declared to the COCR at the BDL to LBP /5,000,000/ (five million Lebanese Pounds) or its C/V in foreign currency as

from June 2015. This amount will be gradually reduced to LBP /1,000,000/ (one million Lebanese Pounds) by decisions taken by the Governor of the BDL. Microloans and the doubtful or bad debts must be reported regardless of their amount.

- b. The obligation of specifying the clients' portfolio in accordance with the main credit portfolios specified by the regulations, where it applies, is added to the information to be declared in the identification cards of individuals or legal persons. Similarly a new legal person, the Wakf, was added to the list of the "legal form".
- c. A new box reserved for the region or country of use of the loan was added to the declaration to be submitted to the COCR in accordance with the "list of the loan use region codes" (REG-01). The new box should also include the addresses of the guarantors and beneficiaries of personal loans, if necessary.
- d. In respect of the declaration of the guarantees taken from debtors or their guarantors for certain types of facilities, the details of the types of these securities must be included in the appropriate boxes of the quarterly declaration to the COCR.
- e. Lebanese banks, subject to local laws, are required to declare to the COCR, the Lebanese debtors at their branches abroad as well as the non-Lebanese clients who benefit from banking facilities in these branches and at these banks at the same time.
- f. In light of the above developments, the "list of the loans codes" (CTC01) and the forms of declarations to be submitted to the COCR as well as the identification cards in Arabic and French have been amended.

Ref.:

- BDL's circular No. 75 dated 26/10/2000 (Status of the Central Office of Credit Risk).

4. Classification of loans as per their risks and sectors

The BDL specifies in the new instructions the automatic tabulating codes for computing the elements of the financial status of banks (Form 2010) that enter in the quarterly declaration on the classification of debts as per their risks (Form CR-1) and the classification of debts by sectors (Form CR-2) according to the supervisory classification. The BDL also indicates that the "sub-standard", "doubtful", and "bad" debts must be included net of the accrued interests as from the position on 31/12/2015.

Ref.:

- BDL's circular No. 58 dated 10/11/1998 (Credit Risks Classification).

5. Classification of loans risks reviewed by the BCC

The BCC requests from banks to abide by the classification that it establishes further to its review of the clients' debts in the declarations that they submit to the COCR (the Directorate of Banks at the BDL) and in the declarations submitted to the BCC, upon receipt of the relevant letters and reports of the BCC. After a month of the date of such letters and reports, the BCC will directly request from the relevant directorate to carry out the classification accordingly.

Ref.:

- BCC's memo. No. 21/2015 dated 14/09/2015 (Classification of debts reviewed by the BCC).
- BDL's circular No.75 dated 26/10/2000 (Status of the Central Office of Credit Risk).
- BDL's circular No. 58 dated 10/11/1998 (Credit Risks Classification).

V. Information Technology and its security, electronic banking and financial operations

The regulatory developments related to Information Technology and its security, electronic banking and financial operations in 2015 focused on the following issues:

- 1- Electronic Banking and Financial Operations
- 2- Automatic Teller Machines (ATM) and bank cards

1- Electronic Banking and Financial Operations

- a- The BDL specifies that the definition of electronic banking and financial operations shall mean all operations and activities concluded, performed or promoted through electronic or photo-electronic means (telephone, computer, internet, ATM, etc.) by banks, financial institutions or any other institution registered at the BDL as well as by the issuers or promoters of all types of electronic charge, debit, or credit cards, the institutions undertaking electronic

transfers of funds, and by the websites that offer, purchase, sell, and perform all electronic banking services.

- b- The BDL prohibits the carrying out of banking and financial operations via mobile or fixed electronic devices among customers of different banks, unless such operations are limited to the receipt of transfer request from the customer in accordance with the determined conditions.
- c- The BDL requests from the Lebanese and foreign institutions that obtain a prior license to perform electronic financial and banking operations to comply with the good governance guidelines for banks and others institutions registered at the BDL and licensed to perform such operations, including the procedures for fighting money laundering and terrorist financing, particularly the following procedures:
 1. To verify the customers' identity and addresses based on official documents. To retain, for at least five years, copies of the official documents and of the documents relating to any operation exceeding USD 10,000 or its equivalent. To keep specific records for operations exceeding the amount of USD 10,000 or its equivalent.
 2. To set up an efficient AML/CFT Internal Control System that should, at least, include the due diligence measures (establishment of an efficient and effective AML/CFT procedures guide, appointment of a Compliance Officer, adoption of software programs to monitor operations, periodic reports on operations control on the basis of a risk-based approach, a computerized central archive for the collected information...).
 3. Full professional secrecy of the staff.
 4. To communicate to the SIC the details of any doubtful operation and providing the SIC with a copy of the annual report prepared by the auditors on the relevant issues.
 5. The Lebanese and foreign institutions, other than the banks and institutions registered at the BDL, including exchange institutions must provide the BDL (Department of Statistics and Economic Research) with the monthly financial statements (for institutions performing domestic

transfers in Lebanon) and quarterly financial statements (for institutions performing only international transfers), in accordance with the form of the financial status of banks (Form 2010), in addition to the annual profit and loss statement prepared in accordance with the form (BPL-1) within the prescribed time limits.

- d- The BDL prohibits the issuance of electronic money and the use thereof in any means.
- e- Due to the change of the name of the “Capital Markets Department” at the BDL to become “Money Services Businesses Department”, the banks and other concerned institutions must report to the “Money Services Businesses Department”, in addition to other relevant departments of the BDL where appropriate as well as the BCC, all of the information and documents that were required to be sent to the former “Capital Markets Department” at the BDL (changes of their operational regulations and technical rules; copies of the annual reports prepared by the external auditors on their electronic operations; branch openings; insurance policies for the operations and risks, websites / Points of Electronic Transfers (Form CET-0), annual reports of the external auditors; lists of the names of the shareholders of new institutions established in Lebanon and the amendments, the monthly or quarterly financial statements where appropriate, the volume of electronic funds transfers (Form CET-1 / CET-2) and annual profit and loss statement (Form BPL-1)).

Ref.:

- BDL’s circular No. 69 dated 30/03/2000 (Electronic banking and financial operations).
- BDL’s notification No. 910 dated 02/11/2015.

2- Automatic Teller Machines and bank cards

The BDL introduced in 2015 a modification of the conditions that the ATM must meet, requiring that at least 75% of the drawers contain Lebanese banknotes in circulation. The banknotes of the same denomination cannot be placed in more than one drawer. In case there was more than one ATM in one place, wherever it was, the Lebanese and foreign banknotes can be distributed among all the drawers in the proportion indicated above. Banks are required to comply with this instruction within a period ending on 31/12/2015.

On another hand, it should be noted that the BDL requires the completion of the above condition to allow the banks to deposit banknotes and coins at its counters from outside the cash drawers that banks are required to use, and provided that such deposit is done at the Central office of the BDL, once per quarter (see Section VI below: Arrangement of banknotes and coins deposited at the counters of the BDL).

Ref.:

- BDL's circular No. 63 dated 20/06/1999 (ATM and bank cards).
- BDL's circular No. 40 dated 26/02/1998 (Methods of Deposit and Withdrawal of Money at BDL).

VI. Other instructions issued by the BDL, the BCC, and the Ministry of Finance

In addition to the above instructions, the BDL and the BCC have issued various instructions. The Ministry of Finance also issued specific instructions on the foreign securities revenues tax as follows:

1. Other instructions issued by the BDL

The main other instructions issued by the BDL relate to the following issues:

- a- Modified or new forms of statements to the BDL in 2015 and other statements;
- b- Arrangement of banknotes and coins deposited at the counters of the BDL;
- c- Persons subject to the provisions of Articles 183 and 184 CMC;
- d- Money Services Businesses Department.

- a- Modified and new forms of statements to the BDL in 2015 and other statements:

No. and date of the BDL's circular	Date of the modification	Subject of the circular	Modified form or renewal	Subject of the form	Frequency
85 (30/6/2001)	9/11/2015	Statistics reports	BBR-3	Organizational chart of the employees (HQ and branch)	Semi-annual
	9/10/2015		A-3	Tranches of the customers' deposits (Lebanon and	Monthly

				abroad) (All currencies)	
			A-4	Tranches of all loans and credits (Branches in Lebanon and abroad) (All currencies)	Monthly
			A-5	Tranches of all loans and credits (Maturity and terms) (All currencies)	Monthly
			INV-1	Bank's accounts with resident and non-resident banks – assets (according to their types)	Monthly
			INV-2	Bank's accounts with resident and non-resident banks – liabilities (according to their types)	Monthly
58 (10/11/1998)	9/10/2015	Loans Risks Classification	CR-1 CR-2	Loans classification according to their risks and sectors	Quarterly
23 (7/3/1996)	8/10/2015	BDL's incentives to banks and financial institutions	IN-B-CF	Schedule of cash flows according to the maturities of repayments during the year	Upon requesting the collective approval
			IN-A-CF	Schedule of cash flows according to the maturities of repayments during the year	Upon requesting the individual approval
84 (2/6/2001)	8/10/2015	Required Reserves	RO-11	Liabilities in LBP subject to the Required Reserves	Weekly
			ARO-11	Housing loans in LBP in accordance with the protocol signed with banks	Weekly
			ARO-12	Deductions from the Required Reserves further to loans in accordance with the Protocol signed with banks	Weekly
			ARO-17	Loans repayment program that benefit from exemptions	Weekly

				from the Required Reserves as per their maturity	
	7/3/2015		ARO-05	Housing loans pursuant to the Protocol signed with the Public Corporation for Housing (new or modified loans)	Weekly
			ARO-06	Deductions from the Required Reserves for the housing loans pursuant to the Protocol signed with the Public Corporation for Housing	Weekly
			ARO-29	Housing loans that benefit from the exemptions from the Required Reserves (new or modified loans)	Weekly
			ARO-30	Housing loans that benefit from the exemptions from the Required Reserves	Weekly
18 (16/2/1995)	22/5/2015	Interest rates and volume of interbank loans	INV-1-A	Interest rates of interbank credit and debit accounts	Monthly
75 (26/10/2000)	8/10/2015	Status of the COCR	CTC01	List of the types of loans annexed to the Status	-
	2/5/2015		CDR1	Statement related to the client submitted to the COCR (client's direct loans, off-balance loans, and non-secured loans)	Monthly
			CDR2	Status of the clients with the COCR (client's direct loans, off-balance loans, and non-secured loans)	Monthly
			CDR-I	Identification card - Individuals	-
			CDR-S	Identification card - Legal persons	-
			REG 01	Loans regions	-

69 (30/3/2000)	26/1/2015	Electronic bank and Financial operations	On a CD	<u>For the Lebanese authorized institutions (other than banks and exchange establishments) that make transfers inside Lebanon: Financial status (Form 2010)</u>	Monthly
				<u>For the foreign authorized institutions (other than banks and exchange establishments) that make transfers to outside Lebanon: Financial Status (Form 2010)</u>	Quarterly
			BPL-1	<u>For authorized institutions (other than banks and exchange establishments) that make internal and external transfers: Annual profit and loss statement</u>	Annual

Moreover, the BDL identified the elements of the financial status of banks (Form 2010) used in the calculation of the distribution of all loans according to the economic sectors object of the quarterly statement to the BDL pursuant to the Form (BBR-5).

Ref.:

- BDL's circular No.85 dated 30/06/2001 (Statistics Reports).

b- Arrangement of banknotes and coins deposited at the counters of the BDL

The BDL modified some specifications that need to be available in the "boxes" of banknotes in which banks and financial institutions are required to pack banknotes and coins to be dropped at the counters of the BDL.

The BDL also requests that an identification sheet be placed in the pocket of the cover of each box containing the details of each operation of deposit. An amount of 15,000 LBP representing the box amortization will be directly deducted from the account of the applicant bank upon delivering the box at the counters of BDL.

In this regard, the BDL authorizes the execution of a single deposit operation each quarter, from out of the boxes at the counters of the central office of the BDL, exclusively, in case the specified conditions are met, specially that the concerned bank complies with the condition that at least 75% of the drawers of each ATM contains Lebanese banknotes in circulation (see Part V, paragraph 2 above: ATMs and bank cards). Similarly the banknotes of the same denomination cannot be placed in more than one drawer. However, in case there was more than one ATM in one place, the Lebanese and foreign banknotes can be distributed among all the drawers in the packages and proportions as per the specific instructions. In this case, banks should submit to the BDL an application for depositing funds from outside the boxes against payment to the BDL of a commission of LBP 300,000 per operation.

In addition, the BDL levies fines for each error in each package of deposits from outside the boxes.

Ref.:

- BDL's circular No. 40 dated 26/02/1998 (Methods of Deposit and Withdrawal of Money at BDL).
- BDL's circular No. 63 dated 10/06/1999 (ATM and bank cards).

c- Persons subject to the provisions of Articles 183 and 184 CMC (Comptoirs)

The BDL addressed a circular to the natural or legal persons subject to the provisions of Articles 183 and 184 CMC (comptoirs) that still exercise their activities, asking them to provide specific information about them and about the nature of their operations.

The BDL considered as null "the acknowledgment" previously issued by the BDL to any "comptoirs" that do not conform to the above, and therefore prohibits the concerned comptoir from carrying out credit operations under penalty of the provisions of Article 200 CMC.

Ref.:

- BDL's circular to the persons subject to the provisions of Articles 183 and 184 CMC No. 1 dated 12/02/2015.

d- Money Services Businesses Department

The BDL issued in the first quarter of 2015 a decision amending the name of the “Capital Markets Department” at the BDL following the transfer of most of its activities to the Capital Markets Authority to become the “Money Services Businesses Department” that deals with money dealers, comptoirs, financial institutions and leasing companies, in addition to the electronic banking and financial operations and studies.

Ref.:

- BDL’s decision No. 11943 dated 04/02/2015.

2. Other instructions issued by the BCC

The most important BCC’s instructions relate to the following issues:

- a- Issuance of the International Financial Reporting Standard No. 9 (IFRS 9)
- b- The subsidized loans
- c- Other statements to be sent to the BCC
- d- Various instructions issued by the BCC in 2015

- a- Issuance of the International Financial Reporting Standard No. 9 (IFRS 9)

The final version of the International Financial Reporting Standard No. 9 (IFRS 9) was issued in 2015 and will come into effect as of 01/01/2018. IFRS 9 will replace the previous International Accounting Standard No. 39 that it radically changes. These changes particularly concern the rules for provisioning assets and financial obligations. In this respect, the methodology of “Expected Credit Loss” is adopted to replace that of “the Incurred loss” just to constitute provisions for the deteriorating values of assets and financial obligations.

Since these developments require the constitution of databases (Data Collection) and the development of managerial information systems (MIS) in anticipation of the entry into force of the new standard, the BCC requested from the banks and the concerned institutions to take the following measures in coordination with their external auditors:

- 1- To form an internal team whose task is to apply the IFRS 9. Such team will include officials of financial control, risk management, credit and IT and will communicate to

the BCC on time, the required information related to them, as well as to the designated project manager.

- 2- To establish a work plan in the banking group and to communicate the required details to the BCC in accordance with the three stages of the project referred to in the IFRS 9.

Ref.:

- BCC's memo No. 18/2015 dated 13/08/2015 (Implementation of the International Financial Reporting Standards No. 9) (IFRS 9)

b- The subsidized loans:

1- The prepayment of subsidized loans:

The BCC requires from the banks and the concerned institutions upon submitting an application requesting the BDL's authorization to prepay subsidized credits and loans, to end the subsidy of such credits and loans, or to transfer them to other banks, to provide it - along with the submittal of the application - with the required documents that should include in case of a request of a prepayment, the reasons and sources of the prepayment, and the needed documentation.

Ref.:

- BDL's circular No. 80 dated 02/01/2001 (Subsidy of interest on loans extended to the productive sectors).
- BCC's memo. No. 8/2015 dated 22/04/2015 (Documents to be sent to the BCC and related to the subsidized loans by the BDL).

2- Delayed payment of subsidized loans

The BCC requires from the banks and concerned institutions to communicate the required information on the subsidized loans which have delays of payment higher than 90 days in accordance with the modified form (4-SL).

Ref.:

- BCC's memo. No. 7/2015 dated 07/03/2015 (Modification of Form 4-SL).

c- Other statements to be sent to the BCC

- 1- Request of the monthly statement on the daily operations in cash of customers in Lebanese pounds and foreign currencies (Form MDW).

Ref.:

- BCC's memo. No. 15/2015 dated 26/06/2015 (Statement on the daily financial operations of customers).
- 2- Reminder of the need to send the required automated periodic information (weekly, monthly, quarterly semi-annually, annually) within the specified term and in accordance with the forms determined for the relevant IT programs.

Ref.:

- BCC's memo. No. 10/2015 dated 18/05/2015.
- 3- Weekly and monthly statements on the types of the customers' deposits in Lebanese pounds and foreign currencies (Modified Form A-3) in accordance with the instructions as from the financial status on 31/12/2015.

Ref.:

- BCC's memo. No. 23/2015 dated 26/11/2015 (Modification of the Form A-3).
- 4- Various statements on specific financial values or other financial values on specified dates for once.

d- Various instructions issued by the BCC in 2015

1. Calculation of the adequacy ratios "based on" the financial statements as on 31/12/2014 and 30/06/2015.

2. Reminder of the contents of the BDL's circular No. 52 dated 30/10/1998 on the documentary credits, including the obligation to charge customers the constitution margin of 15% of the value of the import documentary credits.

Ref.:

- BCC's memo. No. 19/2015 dated 13/08/2015 (margins on the Letters of Credit).
 - Annulment of some circulars issued by the BCC (BCC's memo. No. 14/2015 dated 17/06/2015).
3. **Instructions issued by the Ministry of Finance on the tax on the revenues of foreign securities**

The ABL circulated on 04/12/2015 to banks the notice issued by the Minister of Finance on 01/12/2015 to the BDL, the banks, and the financial institutions in Lebanon on the tax on the revenues of foreign securities, based on the Income Tax Law that requires from the taxpayers that have to withhold the tax to pay it to the Treasury (Article 81 of the Income Tax Law) in the specified deadline, or from the taxpayers that have to personally declare and pay the tax to the Treasury (Article 82 of the Income Tax Law) under penalty of the legal fines. The mentioned notice of the Minister of Finance also requires from banks and other concerned institutions of the financial sector to notify their customers, whether natural or legal persons of the above obligations, noting that the tax authorities will take the appropriate measures against offenders.

Ref.:

The ABL's circular No. 395/2015 dated 04/12/2015 (Notice of the Minister of Finance).

VII. Instructions issued by the CMA in 2015

The following lists indicate the titles of the instructions issued by the CMA in 2015, which are divided according to their subjects as follows:

1. New decisions issued in 2015
2. Decisions issued before 2015 and modified by notices published in 2015
3. Notices issued before 2015 and modified by notices issued in 2015

1. CMA's decisions issued in 2015

No. and date of the new decision	Subject
17 (09/03/2015)	Know Your Customer form (KYC)
18 (31/08/2015)	Annual report on the audited financial statements and other information required from the external auditors on the institutions and entities engaged in activities related to financial instruments in Lebanon.

2. Decisions modified by notices published in 2015

No. and date of the decision modified in 2015	Subject	Notice of the modification in 2015
Decision No. 11 dated 9/1/2014	List of Financial Intermediation Institutions	Notice No. 10 dated 26/1/2015
Decision No. 13 dated 10/2/2014	Securitization of assets	Notice No. 11 dated 27/1/2015
Decision No. 4 dated 14/8/2013	Compliance	Notice No. 12 dated 27/1/2015
Decision No. 5 dated 14/8/2013	Internal Audit	Notice No. 13 dated 27/1/2015
Decision No. 12 dated 10/2/2014	Regulations of financial instruments and derivatives operations	Notice No. 14 dated 23/3/2015 Notice No. 17 dated 17/8/2015

2. Notices modified by notices issued in 2015

No. and date of the notice modified in 2015	Subject	Notice of the modification in 2015
Decision No. 2 dated 31/3/2014	Schedule of fees and commissions levied in Lebanese pounds	Notice No. 9 dated 26/1/2015